

Message Text

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ORIGIN EB-08

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DRAFTED BY EB/OA:MHSTYLES:VLV
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-----088885 112303Z /63
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FM SECSTATE WASHDC
TO AMEMBASSY THE HAGUE IMMEDIATE

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E.O. 11652: N/A

TAGS: EAIR, NL

SUBJECT: CIVAIR - PAN AM BUDGET FARES

REF: THE HAGUE 2009, 2010, 2011

1. NETHERLANDS EMBASSY (KROL) DELIVERED FOLLOWING NOTE TO
DEPARTMENT AFTERNOON APRIL 11:

QUOTE. BY ITS LETTER DATED 23 MARCH 1978 PAN AMERICAN
WORLD AIRWAYS HAS SUBMITTED A SO-CALLED "BUDGET-FARE" FROM
AMSTERDAM TO VARIOUS CITIES IN THE UNITED STATES, AS SHOWN
IN ATTACHMENT A, FOR INTENDED EFFECTIVENESS APRIL 6TH,
1978.

WHILST THE NETHERLANDS GOVERNMENT HAS NO OBJECTION IN
PRINCIPLE TO THE INTRODUCTION OF THIS TYPE OF FARE OR TO
THE LEVELS OF FARES INTENDED TO APPLY FROM SUCH POINTS IN
THE UNITED STATES TO AMSTERDAM, THE LEVELS OF THE FARES
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PROPOSED TO APPLY FROM AMSTERDAM CAUSE SERIOUS PROBLEMS.

THE NETHERLANDS GOVERNMENT HAS INDICATED TO PAN AMERICAN
THAT LEVELS WHICH BEAR THE SAME RELATION TO THE NORMAL
ECONOMY CLASS FARES FROM AMSTERDAM TO THE POINTS CONCERNED
IN DUTCH GUILDERS AS THE RELATIONSHIP IN THE US DOLLAR
FARES IN THE OPPOSITE DIRECTION WOULD MEET ITS BASIC

OBJECTION.

THE DIFFERENCE IN THESE RELATIONSHIPS IS BEING CAUSED BY THE FACT THAT FOR THE FARES FOR TRAFFIC ORIGINATING IN THE NETHERLANDS A CONVERSION RATE HAS BEEN APPLIED WHICH DIFFERS FROM THE NORMAL RATE THAT OTHERWISE HAS BEEN APPLIED - ALSO BY PAN AM - FOR ALL OTHER SUBMITTED AND APPROVED FARES.

FURTHERMORE THE NETHERLANDS AUTHORITIES HAVE ESTABLISHED A SYSTEM OF MINIMUM PRICES WITH RESPECT TO NETHERLANDS ORIGINATING CHARTERS WHICH ARE OPEN TO MEMBERS OF THE GENERAL PUBLIC. THE BUDGET FARE LEVELS PROPOSED BY PAN AMERICAN ARE WELL BELOW THESE MINIMUM CHARTER PRICES.

THE NETHERLANDS GOVERNMENT WISHES TO MAINTAIN IN PRINCIPLE ITS EXISTING CHARTER POLICY INCLUDING MINIMUM CHARTER PRICE LEVELS FOR TRAFFIC ORIGINATING IN THIS COUNTRY. THE RIGHT FOR EITHER GOVERNMENT TO PURSUE SUCH POLICY IS RECOGNISED IN THE PROTOCOL RELATING TO THE US-NETHERLANDS AIR TRANSPORT AGREEMENT AGREED IN WASHINGTON, MARCH 10TH, 1978. MOREOVER THE RIGHT TO DISAPPROVE FARES FOR TRAFFIC ORIGINATING FROM ITS OWN TERRITORY IS ESTABLISHED IN ARTICLE 6(C) OF THE ABOVE MENTIONED PROTOCOL.

IN VIEW OF THE ABOVE THE NETHERLANDS GOVERNMENT HAS DISLIMITED OFFICIAL USE

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APPROVED THE BUDGET FARE LEVELS PROPOSED BY PAN AMERICAN FROM AMSTERDAM TO VARIOUS POINTS IN THE UNITED STATES AND WISHES TO INFORM YOU ACCORDINGLY. END QUOTE.

2. DEPARTMENT OFFICER (STYLES, EB/OA) ADVISED KROL THAT DEPARTMENT WOULD CONSTRUCTIVE NOTE AS FULFILLING DUTCH OBLIGATIONS UNDER ARTICLE 6(B) OF PROTOCOL, BUT NOTED THAT THERE WAS STILL OPPORTUNITY FOR CONSULTATIONS IF US WISHED TO PURSUE THE MATTER. IN THIS CONNECTION, STYLES NOTED THAT, WITHOUT ADDRESSING THE ECONOMIC FACTS OF THE CASE, IT WAS UNFORTUNATE THAT THE FIRST TEST CASE UNDER THE RECENTLY SIGNED PROTOCOL SHOULD RESULT IN A DISAPPROVAL OF A LOW AIR FARE.

3. WE WILL AWAIT OUTCOME OF AIRLINE MEETING WITH DUTCH AUTHORITIES BEFORE DECIDING WHAT TO DO NEXT. VANCE

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